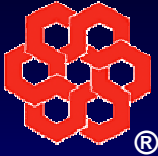


**International
Accounting Standards
Board**

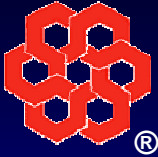
The Future of International Financial Reporting

***Sir David Tweedie
IASB Chairman***



Need for Convergence

- **Attracting investment through transparency**
- **Reducing the cost of capital**
- **Increasing world-wide investment**
- **Reducing costs**



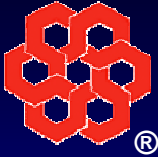
IASC Developments

- Improvements Project



IASC Developments

- Improvements Project
- IOSCO Agreement

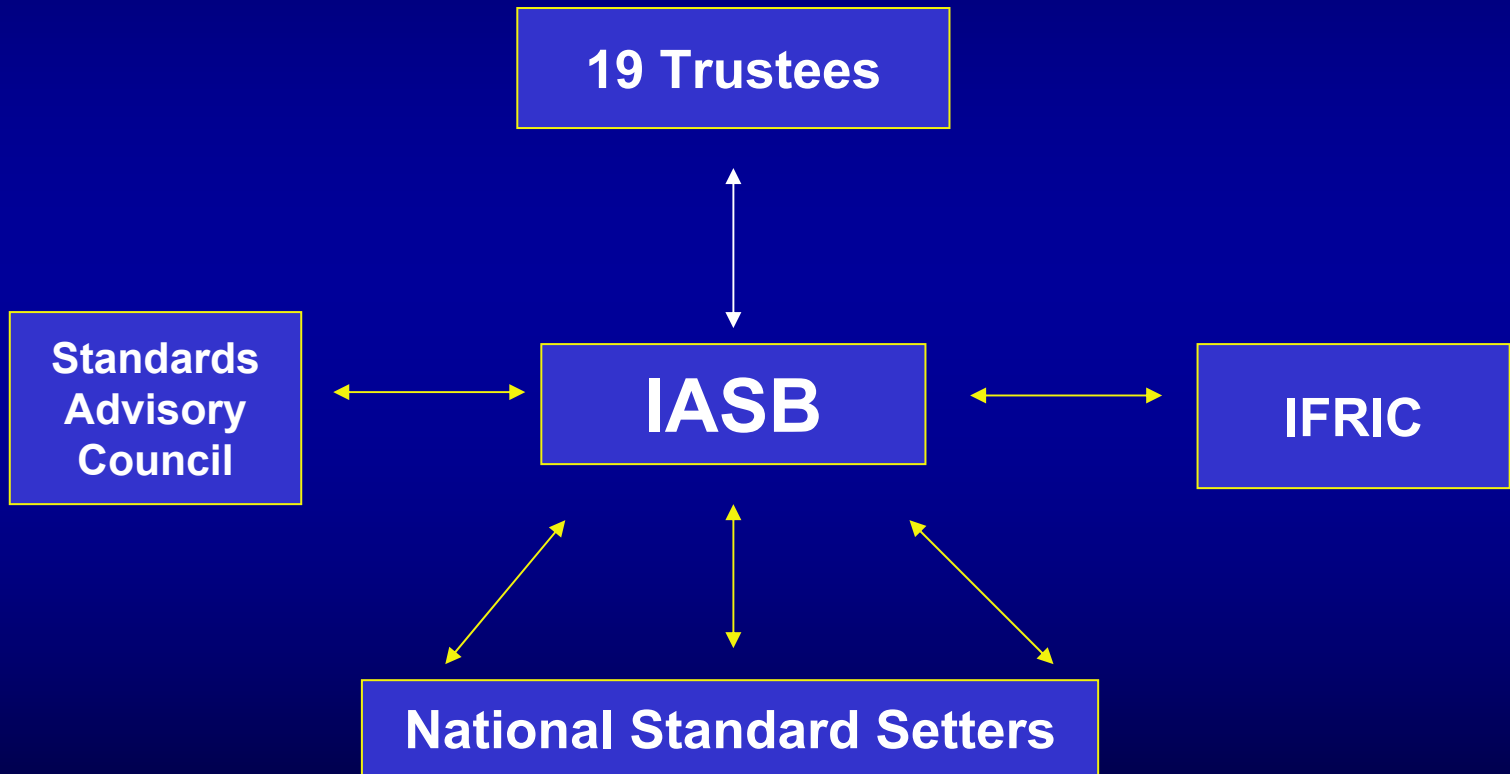


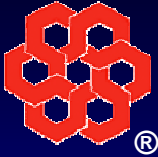
IASC Developments

- Improvements Project
- IOSCO Agreement
- The Restructuring



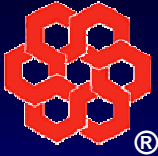
IASB Structure





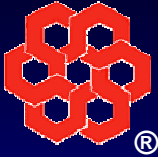
IASC Developments

- Improvements Project
- IOSCO Agreement
- The Restructuring
- EU 2005



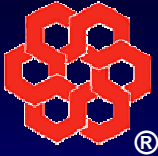
IFRS Around the World

| | <u>Countries</u> <u>in 2005</u> | <u>Change</u> <u>in 2006</u> | <u>Total</u> <u>in 2006</u> |
|--|------------------------------------|---------------------------------|--------------------------------|
| IFRSs permitted | 23 | 0 | 23 |
| IFRSs required <i>(for all domestic companies)</i> | 65 | +1 | 66 |
| IFRS required <i>(for some domestic companies)</i> | 6 | 0 | 6 |
| | <u>94</u> | <u>+1</u> | <u>95</u> |



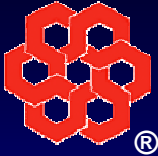
Problems for IASB

- Principles v rules



Problems for IASB

- Principles v rules
- Acceptance of Standards
 - EU
 - SEC



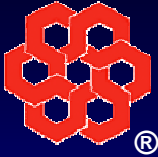
Problems for IASB

- Principles v rules
- Acceptance of Standards
 - EU
 - SEC
- Enforcement

Role of National Standard Setter

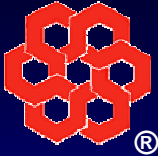


- Deal with national issues
- Align agenda
- Influence IASB debate
- Lead on certain issues



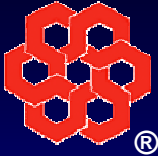
The Agenda

- Improvements
- IFRS I



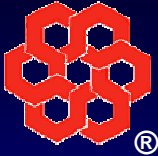
Grandfather Standards

- Insurance
- Extractive Industries



Share Based Payments

- Company not party to transaction
- Employees do not provide services
- No cost to company
- EPS hit twice
- Adverse economic consequences



FASB/IASB Agreement

- Remove differences
- Align Agendas
- Interpretation

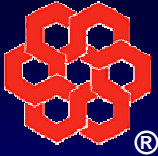


Convergence

Short-term Differences

IASB –

- **Business combinations (goodwill/brands, acquisitions, IPR&D)**
- **Asset Disposals and Discontinued Operations (IFRS 5)**
- **Provisions (soon)**



Convergence

FASB -

- EPS
- Voluntary changes in accounting policy
- Exchanges of non-monetary assets
- Inventory spoilage and idle capacity

Convergence



IASB and FASB

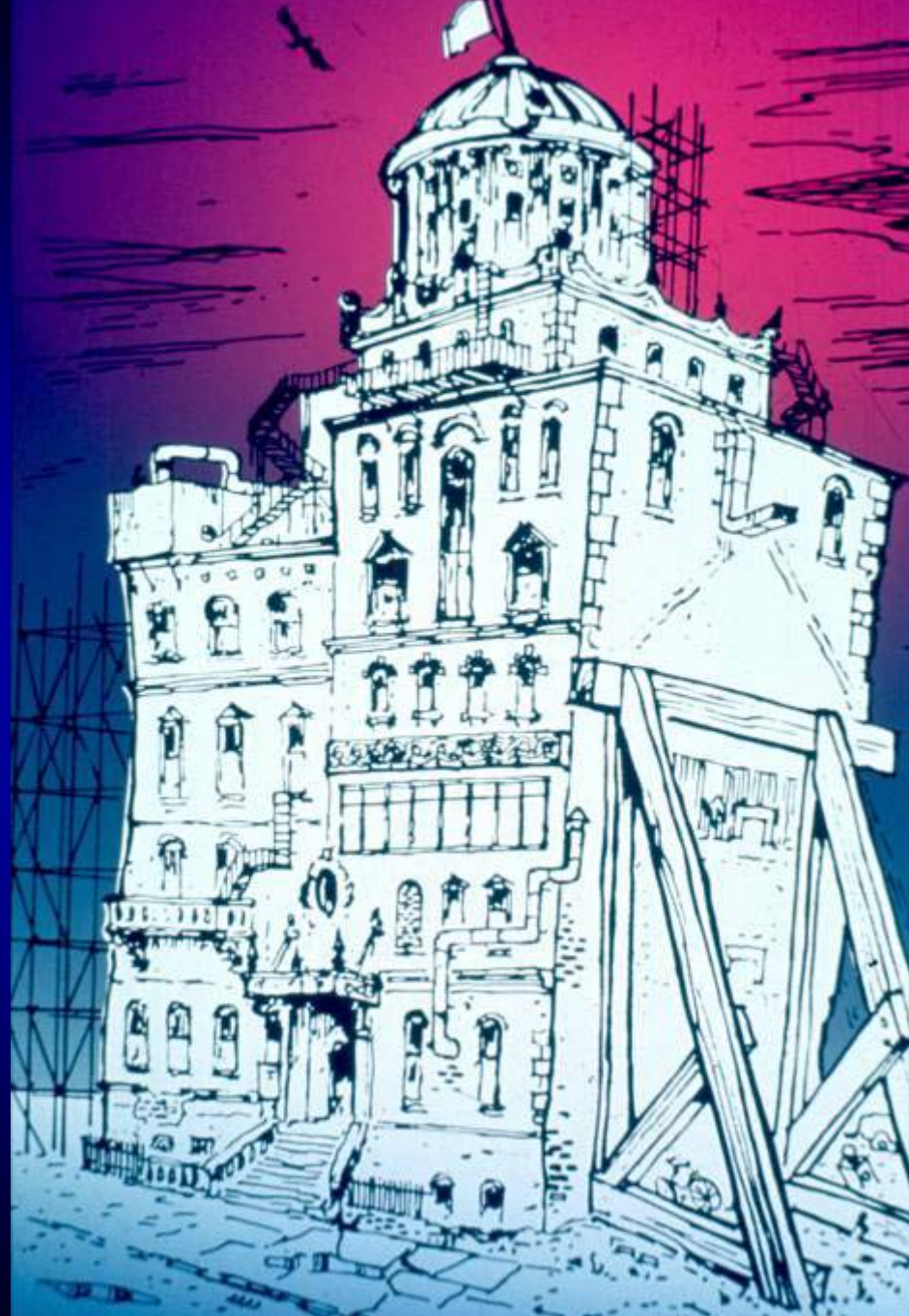
- **Income taxes**
- **R&D**
- **Interim Reporting**
- **Segment Reporting**
- **Investment Properties**
- **Borrowing costs**
- **Impairment**
- **Joint ventures**
- **Classification of liabilities**



Agenda – 5 Year

- **Conceptual Framework**
- **New issues**  **1 team**
- **Modified approach** 







Conceptual Framework Issues

- The objectives of financial reporting
- Qualitative characteristics
- Definitions of assets and liabilities
- Recognition
- Measurement
- Presentation



Joint Projects

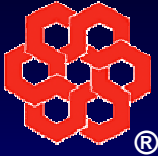
- **Business Combinations II**
- **Consolidations – SVP**
- **Financial Instruments (IAS39+)**
- **Revenue Recognition**
- **Performance Reporting**



Performance Reporting

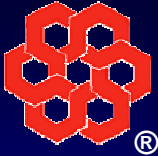
- **Statements**
- **Comprehensive income/Cash flows**
- **Recycling**
- **Remeasurement**

MD&A



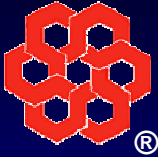
Modified Approach

- **Measurement (FASB/Canada) – initial**
- **Liabilities and Equity (FASB) - CF**
- **Insurance II (IASB)**



Potential New Issues

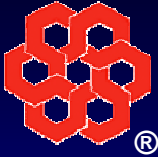
- Leases
- Intangibles
- Employee Benefit



Pensions

| | £m |
|--------------------------------|-----------------|
| Deficit | 10 |
| Less 10% of liabilities | <u>4</u> |
| | <u>6</u> |

Spread over 10 year working life
Deficit per accounts - £600,000



IASB Only

- **Financial Risk Disclosure**
- **SMEs**



Remaining Research Agenda

Joint

- Extractive Industries
- Joint ventures

IASB Only

- MD&A
- Concessions
- Hyperinflation
- Investment entities

